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PAGE 01 CARACA 05416 241223Z

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SUBJ: CORDIPLAN - FIFTH NATIONAL PLAN

SUMMARY. ACTING DIRECTOR GENERAL OF CORDIPLAN (NATIONAL PLANNING OFFICE) GUILLERMO DOMINGUEZ TOLD PRESS THAT FIFTH NATIONAL PLAN HAS BEEN COMPLETED AND IS NOW UNDER REVIEW BY HIGH LEVEL OFFICIALS RESPONSIBLE FOR THE ECONOMY. DOMINGUEZ INDICATED THAT PLAN CALLS FOR SIGNIFICANT GROWTH, AND INCREASED ROLE OF STATE IN VENEZUELAN ECONOMY AND SOCIETY. DEPUTY PLANNING MINISTER HELLY TINEO, OBVIOUSLY REFERRING TO PLAN, SAID, IN COURSE OF SEMINAR AT HEATHROW, ENGLAND, VENEZUELA INTENDS TO DEPEND ON INTERNAL TAXES RATHER THAN PETROLEUM REVENUE TO FINANCE GOVERNMENT CURRENT EXPENDITURES. END SUMMARY.

1. ACTING DIRECTOR GENERAL CORDIPLAN DOMINGUEZ SAID FIFTH PLAN, THE FIRST OF CARLOS ANDRES PEREZ'S ADMINISTRATION, IS DEVOTED TO THE FOLLOWING SUBJECTS: GENERAL OBJECTIVES FOR EXPANSION; THE ADMINISTRATION OF THE PUBLIC WEALTH; THE REORGANIZATION AND PLANNING OF THE STATE; THE LIMITED OFFICIAL USE

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PAGE 02 CARACA 05416 241223Z

DEFENSE AND MAINTENANCE OF VALUE OF NON-RENEWABLE

NATURAL RESOURCES; MANUFACTURING INDUSTRY; PROTECTING OF SOCIAL ASSETS; REMUNERATION AND UTILIZATION OF HUMAN RESOURCES; ECONOMIC REGIONALIZATION OF THE STATE AND THE PHYSICAL INFRASTRUCTURE.

2. THE FIRST GENERAL REVIEW OF THE PLAN WILL TAKE PLACE MAY 28 AT AN EXTRAORDINARY MEETING OF THE NATIONAL COUNCIL OF PRODUCTION AND SUPPLY. THIS MEETING UNDER THE DIRECTION OF THE MINISTER FOR PLANNING, GUMERSINDO RODRIGUEZ, WILL ANALYZE ASPECTS OF PLAN INVOLVING EDUCATION, SOCIAL ASSISTANCE, ECOLOGY AND PRODUCTION. EDUCATION MUST BE DEFINED WITH A VIEW TOWARD THE TASKS OF DEVELOPMENT. SOCIAL ASSISTANCE BY THE STATE WILL BE DIRECTED TOWARD THE ENTIRE POPULATION THROUGHOUT THE WHOLE LIFE SPAN IN ORDER TO IMPROVE CONDITIONS OF HEALTH, NUTRITION AND LIVING. THE STATE AND SOCIETY MUST WORK TOGETHER TO ACHIEVE A DYNAMIC BALANCE BETWEEN MAN AND HIS ENVIRONMENT. IN ORDER TO DEVELOP ITS OWN TECHNOLOGY THE STATE MUST CONTROL THE IMPORTATION, TRANSFER AND ASSIMILATION OF TECHNOLOGY IN ORDER TO ASSURE THAT IT IS USED PRIMARILY FOR INTERNAL PRODUCTION AND FOR THE BENEFIT OF THE COUNTRY. THE PRODUCTION OF BASIC GOODS AND SERVICES FOR THE PEOPLE MUST BE INCREASED AND REORIENTED TOWARD HIGHER QUALITY CONSUMPTION.

3. IN ORDER TO OBTAIN THESE OBJECTIVES, THE PLAN CALLS FOR THE NATIONALIZATION OF IRON AND PETROLEUM AND GOVERNMENT CONTROL OVER CERTAIN OTHER ACTIVITIES SUCH AS MARITIME TRANSPORT, PRODUCTION AND MARKETING OF FOODSTUFFS AND PRIMARY MATERIALS FOR AGRICULTURAL PRODUCTION.

4. DIRECTOR GENERAL OF CORDIPLAN TINEO, SPEAKING IN ENGLAND, INCLUDED AERONAUTICAL INDUSTRY AND AUTOMOBILE PRODUCTION IN HIS LIST OF INDUSTRIES TO COME UNDER STRICT GOVERNMENT CONTROL. HE SAID THAT BY 1980 AUTOMOBILES PRODUCED IN VENEZUELA WILL INCLUDE 75 PERCENT BY VALUE VENEZUELAN-MADE COMPONENTS. FOREIGN COMPANIES MANUFACTURING AUTOMOBILES IN VENEZUELA WOULD HAVE TO DIVEST TO BECOME MIXED COMPANIES (51 PERCENT VENEZUELAN) OR NATIONAL COMPANIES (80 PERCENT VENEZUELAN). HE SAID THE DEVELOPMENT OF THE PETROCHEMICAL INDUSTRY, WHICH ALONG WITH THE STEEL AND METALMECHANICAL LIMITED OFFICIAL USE

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PAGE 03 CARACA 05416 241223Z

INDUSTRIES WILL PROVIDE THE PRIMARY IMPETUS FOR FUTURE DEVELOPMENT, WILL BE COMPLETELY IN THE HANDS OF THE STATE. TINEO ALSO PREDICTED THAT VENEZUELA WOULD DEVELOP A MODERN AGRICULTURE SECTOR. IMPROVEMENT OF THESE BASIC AREAS OF ECONOMIC GROWTH WOULD LEAD TO SELF-SUSTAINED DEVELOPMENT AND WOULD SOLVE PERSISTENT UNDERNOURISHMENT, DEFICIENT EDUCATION AND PUBLIC HEALTH PROBLEMS.

5. TINEO STRESSED THAT THE GOVERNMENT'S PROGRAM PROVIDES FOR A SHIFT FROM THE DEPENDENCE ON OIL REVENUE TO INTERNAL TAXATION TO FINANCE PUBLIC SPENDING. HE LAMENTED THE FACT THAT IN 1974 85 PERCENT OF GOVERNMENT REVENUE WAS DERIVED FROM OIL. THIS SITUATION HAS MADE PUBLIC EXPENDITURES VULNERABLE TO CHANGES IN THE INTERNATIONAL POLITICAL AND ECONOMIC SITUATION.

6. THE PLAN, ACCORDING TO THE PRESS, PROJECTS A GRADUAL DECLINE IN THE OUTPUT OF PETROLEUM, WHICH IS TO BE OFFSET BY A GENERAL INCREASE IN THE OTHER ECONOMIC SECTORS. DURING THE PERIOD 1974-79, THE PLAN CALLS FOR AN AVERAGE ANNUAL DECLINE OF 3.8 PERCENT IN PETROLEUM PRODUCTION SO THAT BY 1979 DAILY PRODUCTION WOULD BE 2.3 MILLION BARRELS PER DAY. (SEE CARACAS 4979) ON THE OTHER HAND, MINING PRODUCTION IS EXPECTED TO INCREASE 9 PERCENT. THE DOMESTIC SECTOR (EXCLUDING EXTRACTIVE INDUSTRIES) IS PROJECTED TO INCREASE AT ANNUAL RATE OF 10 PERCENT DURING 1974-79; AGRICULTURE 11.5 PERCENT; MANUFACTURING 15 PERCENT; CONSTRUCTION 15 PERCENT; COMMERCE 7.5 PERCENT; TRANSPORTATION AND COMMUNICATION 8.6 PERCENT; AND FINANCIAL SECTOR 6 PERCENT. THE GROWTH RATE OF SERVICES, WHICH INCLUDE GOVERNMENT, WILL LAG SOMEWHAT BEHIND THE OTHER SECTORS OF THE ECONOMY.

7. COMMENT: SINCE AD PARTY HAS CRITICIZED PREVIOUS ADMINISTRATION FOR LACK OF EXECUTION OF ITS RATHER AMBITIOUS NATIONAL PLANS, GOV WILL BE UNDER CONSIDERABLE PRESSURE TO PRODUCE. IT IS HIGHLY PROBLEMATICAL WHETHER GOV WILL BE ABLE TO CARRY OUT SWEEPING TAX REFORMS REQUIRED TO REDUCE SIGNIFICANTLY GOVERNMENT DEPENDENCE ON PETROLEUM REVENUE AND REPLACE IT WITH SUBSTANTIAL INCOME FROM INTERNAL TAX SOURCES. ALTHOUGH THE INTERNATIONAL LENDING INSTITUTIONS HAVE BEEN URGING VENEZUELA FOR A NUMBER OF YEARS TO INSTITUTE TAX REFORM, POLITICAL PRESSURES FROM VESTED INTEREST LIMITED OFFICIAL USE

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PAGE 04 CARACA 05416 241223Z

GROUPS HAVE THUS FAR DELAYED NECESSARY REFORM.

8. THE PLANS ESTIMATES FOR GROWTH OF VARIOUS DOMESTIC SECTORS STRIKE THE EMBASSY AS BEING SOMEWHAT OPTIMISTIC, ESPECIALLY TO THE EXTENT SUCH GROWTH IS LINKED TO THE SO-CALLED POLES OF DEVELOPMENT (THE PETROCHEMICAL AND METALLURGICAL INDUSTRIES) WHICH CONTINUE TO EXHIBIT GROWING PAINS NOT UNFREQUENTLY DUE TO GOVERNMENT INEFFICIENCY AND MISMANAGEMENT.

9. ALTHOUGH THE EMBASSY HAS NOT YET BEEN ABLE TO OBTAIN A COPY OF THE 412 PAGE FIFTH NATIONAL PLAN, FROM ALL INDICATIONS IT IS THE BLUE PRINT FOR CARLOS ANDRES PEREZ'S SOCIAL REFORM PROGRAM DESIGNED TO REDISTRIBUTE WEALTH THROUGH GREATER STATE PARTICIPATION IN ALL PHASES OF THE ECONOMY. NEVERTHELESS, THE GOVERNMENT SEEMS TO SHOW AWARENESS OF THE DANGER OF MOVING TOO FAR AND TOO

FAST AGAINST THE INTERESTS OF PRIVATE ENTERPRISE BY STRESSING
THE NEED FOR COOPERATION WITH THE STATE IN PURSUING VENEZUELA'S
ECONOMIC DEVELOPMENT GOALS.
SHLAUDEMAM

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